

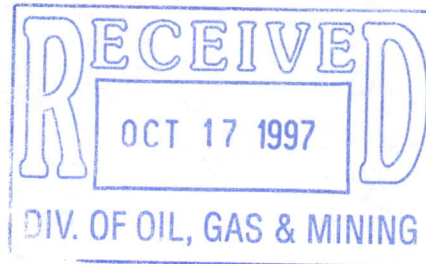


United States Department of the Interior

BUREAU OF LAND MANAGEMENT
HOUSE RANGE/WARM SPRINGS RESOURCE AREA
35 East 500 North
Fillmore, UT 84631



IN REPLY REFER TO:
3809
(U-054)
UTU-063447



October 14, 1997

E B KING
JUMBO MINING COMPANY
6305 FERN SPRING COVE
AUSTIN TX 78730

Dear Mr. King:

We currently have on file a plan of operations, UTU-063447-01 submitted by Western States Mining Company to operate under the Mining Laws. On November 30, 1988, you became the new operator of that plan.

A rule change occurred on February 28, 1997 which affects your activity. We have enclosed a copy of the regulations and Final Rule on Hardrock Bonding Questions and Answers. After reading the enclosed materials please call this office if you have any questions.

These new regulations require that a financial guarantee in the amount of the estimated reclamation cost or \$2,000 per acre of surface disturbance or fraction thereof, whichever is greater, be submitted. The existing bond on file with the State of Utah Division of Oil, Gas and Mining (UDOGM) has been reviewed to ensure compliance with these new bonding requirements. The review has revealed that the bond is not adequate. You are currently bonded for \$165,000. UDOGM has recently recalculated the disturbed acreage at the Drum Mine, and your company is responsible for the reclamation of over 175 acres. This amounts to a minimum bond of \$350,000. In addition, UDOGM's recent reclamation calculation estimates that, if you can demonstrate to DWQ that the heaps do not need to be capped, well over \$800,000 would be required to reclaim the disturbance for which you are responsible.

In your September 20, 1997 letter to UDOGM you raised several objections to UDOGM's recent bond calculation, that was attached to its September 12, 1997 letter to you. We will address each of those objections as they were numbered in your letter:

1 and 2. If you disagree with UDOGM's engineer's calculations, you may submit your own for our review.

3, 6, 7 and 8. Since you are still negotiating with DWQ as to whether the heaps are detoxified, and since we do not want to delay the bond recalculation, we will, for the time being, accept a bond that does not include capping the heaps.

4. The calculation includes areas that will be disturbed during the course of reclamation, when recontouring will disturb additional acreage. It is appropriate to include this acreage when calculating the total disturbed acreage. If you disagree with these calculations, you may submit your own for our review.

5. Again, if you disagree with these figures, you may submit your own for our review.

9. No reclamation plan was submitted to the BLM in 1989. The one submitted to us on September 16, 1996, does not include sufficient detail to adequately calculate a bond. The process of calculating reclamation costs can be accomplished simultaneously with the preparation of a detailed reclamation plan. To assist you, we are pointing out several of the inadequacies of the September, 1996 plan;

a) Some slopes on the pits appear to have an overall slope of more than 47 degrees. These should be identified and mitigations proposed.

b) The original reclamation plan submitted by Western States Mining Company in 1983 stated:

"Disturbed land within the Drum Mine area will be graded to blend with the surrounding topography."

There are few features in the surrounding topography with slopes greater than 3:1. Therefore, all heaps and dumps should be recontoured to 3:1 or less.

c) In your July 9, 1997 letter, you conceded that the large waste dump on the southwest corner of the property is your responsibility. The reclamation plan should include its rehabilitation.

d) No mention has been made as to the method of disposal of the solid waste (ditch and pond liners, demolished buildings, concrete foundations, etc.).

e) Identify how you intend to reclaim the heaps in accordance with the BLM Reclamation Manual.

f) Topsoiling and reseeding will be needed for all heaps and dumps. No appreciable amount of desirable

vegetation has naturally established on these disturbances during the seven years they have been inactive.

g) The liners of the heaps should be punctured to reduce the chance that water will accumulate in low spots.

h) The seed mix proposed does not provide enough diversity for the size of the disturbance. At least two more species should be proposed.

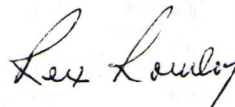
The estimated reclamation cost must be calculated as if a third party contractor was performing the reclamation, and it must be certified by a professional engineer licensed to practice in the State of Utah. Submitting an approvable reclamation plan will satisfy the requirements of the March 10, 1995, Notice of Noncompliance.

We will allow 60 days from the receipt of this letter for you to submit the reclamation plan and 30 days beyond that to submit the additional bond. Additional bond amounts may be filed with the Bureau of Land Management (BLM), Utah State Office, Mining Law Adjudication or the State of Utah, Division of Oil, Gas and Mining. If you do not wish to calculate the reclamation costs, you may submit the full amount requested by UDOGM; \$1,337,000.00.

Failure to submit the reclamation plan within 60 days of receipt of this letter will result in the establishment of a record of noncompliance. Failure to submit the additional bond monies within 90 days of receipt of this letter will result in the issuance of a Notice of Noncompliance.

If you have any questions, please feel free to contact Ron Teseneer at (435)743-3126.

Sincerely,



Rex Rowley
Area Manager

Enclosure
New 3809 Regulations

cc: D. Wayne Hedberg, UDOGM (M/027/007)